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The Honorable: Karen A. Overstreet
Chapter: 11
Hearing Date: December 20, 2013
Hearing Time: 9:30 a.m.
Response Date: December 20, 2013

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON

In re

Case No. 13-19746

CLI Holdings, Inc.,

MOTION TO CONVERT OR DISMISS
CHAPTER 11 CASE and NOTICE OF
HEARING

Debtor.

NOTICE

Please take notice that the United States Trustee’s Motion to Convert or Dismiss
is set for hearing as follows:

| | | | |
|--------|--------------------|-------|-------------------|
| Judge: | Overstreet | Date: | December 20, 2013 |
| Place: | 700 Stewart Street | Time: | 9:30 a.m. |
| | Courtroom 7206 | | |
| | Seattle WA | | |

If you oppose this motion, you must file your written response with the Clerk of
the Court on or before the response date, which is December 20, 2013. If no response is
timely filed, the Court may grant this motion without further notice and strike the
hearing.

MOTION TO CONVERT OR DISMISS CHAPTER 11
CASE and NOTICE OF HEARING – PAGE 1 of 3

Office of the United States Trustee
700 Stewart St., Suite 5103
Seattle, Washington 98101
(206) 553-2000

1 MOTION

2 The United States Trustee moves this Court for an order converting this
3 Chapter 11 case to Chapter 7 or dismissing this Chapter 11 case or for other appropriate
4 relief. In support of this motion, the United States Trustee states as follows:

5 1. The United States Trustee has standing to bring this motion pursuant to 11
6 U.S.C. §§ 307 and 1112(b). *See In re KC's Pub, LLC*, 428 B.R. 612, 614 (Bankr. M.D. Pa.
7 2010) (the United States Trustee is a party in interest as required by Section 1112(b)(1)).

8 2. The United States Trustee brings this motion pursuant to the United States
9 Trustee's authority to supervise the administration of bankruptcy cases under 28 U.S.C.
10 § 586(a)(3).

11 3. The Debtor filed a voluntary petition under Chapter 11 of the Bankruptcy
12 Code on November 1, 2013.

13 4. On Schedule B, the Debtor listed \$1.6M worth of personal property. This
14 property primarily consists of Bitcoin mining rigs and parts to assemble additional
15 Bitcoin mining rigs.

16 5. The United States Trustee has requested, repeatedly, proof that the Debtor's
17 personal property is insured.

18 6. To date, the Debtor has failed to provide proof that the personal property is
19 insured.

20 7. Section 1112(b) provides that absent unusual circumstances, "the court shall
21 convert a case under [Chapter 11] to a case under Chapter 7 or dismiss a case under
22 [Chapter 11], whichever is in the best interests of creditors and the estate, if the movant
23 establishes cause." 11 U.S.C. § 1112(b)(1). Section 1112(b) establishes a two-step analysis
24 for addressing questions of conversion or dismissal. First, the court must determine
25 whether cause exists for conversion or dismissal. Second, the court must "apply a
26 'balancing test' to choose between conversion or dismissal based upon the 'best interests
27 of the creditors and the estate.'" *In re AVI, Inc.*, 389 B.R. 721, 729 (B.A.P. 9th Cir. 2008),
28 *citing In re Nelson*, 343 B.R. 671, 675 (B.A.P. 9th Cir. 2006)..

MOTION TO CONVERT OR DISMISS CHAPTER 11
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1 8. In this case, cause to convert or dismiss exists pursuant to § 1112(b) for the
2 following reasons:

3 (C) failure to maintain appropriate insurance that poses a risk to the
4 estate or to the public;
5 11 U.S.C. § 1112(b)(4).

6 9. Notice of this motion is sufficient pursuant to Local Bankruptcy Rule 2015-1(c).

7 WHEREFORE, the United States Trustee respectfully requests that this Court
8 enter an order (1) converting this Chapter 11 case to a case under Chapter 7 or
9 dismissing the case, whichever is in the best interest of creditors and the estate, or (2) for
10 such other and further relief as the Court may deem just and proper.

11 DATED December 13, 2013

12
13 Respectfully submitted,
14 GAIL BREHM GEIGER
 Acting United States Trustee

15 */s/Thomas A. Buford III*
16 Thomas A. Buford III
17 Missouri Bar #56460
18 Attorney for the United States Trustee
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